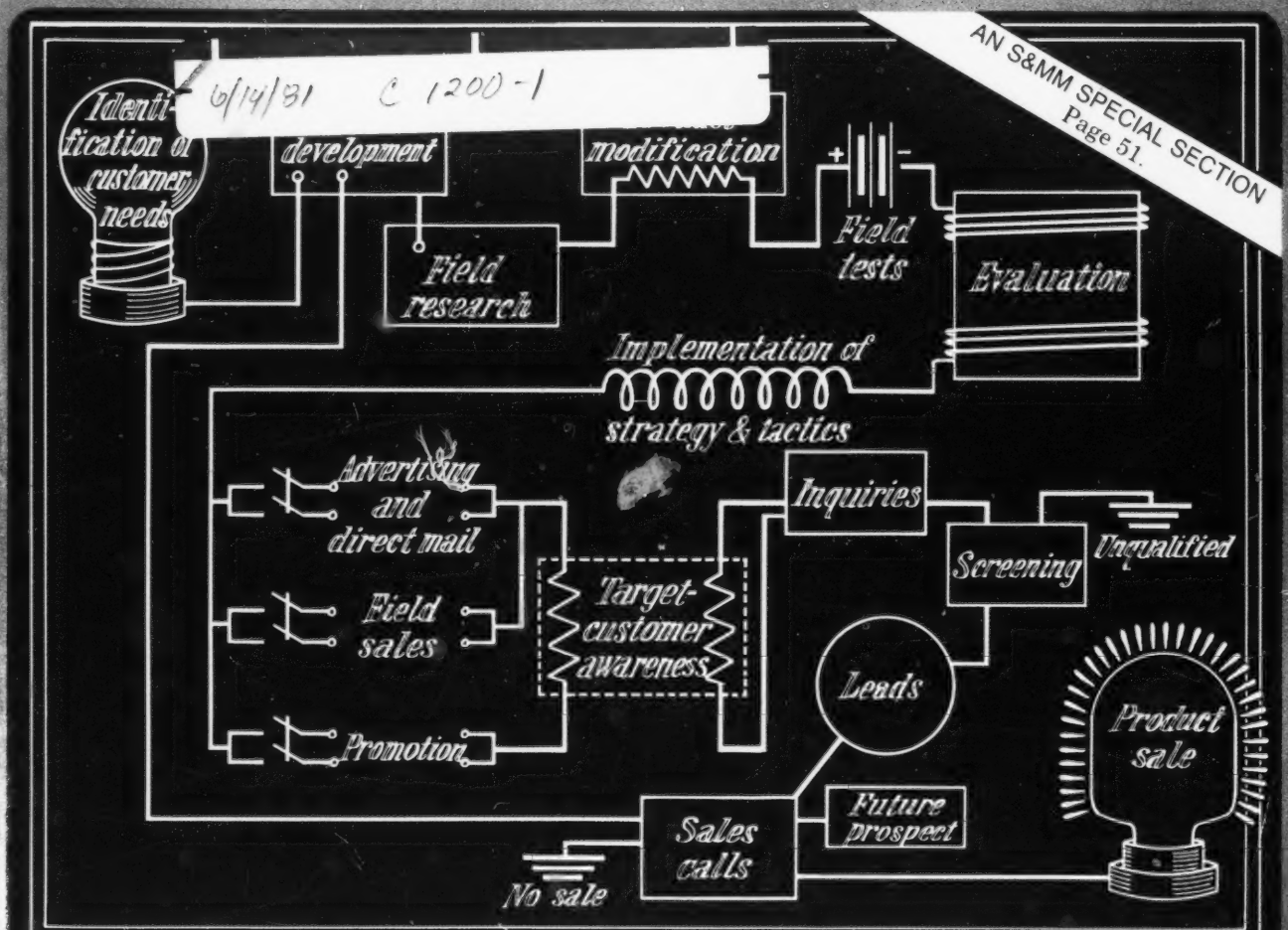
S&MM
JUNE 8, 1981
A BILL PUBLICATION
TWO DOLLARS

SALES MARKETING MANAGEMENT

AN S&MM SPECIAL SECTION
Page 51.



INDUSTRIAL ADS KEEP THE SALES CURRENT FLOWING

Strategies for today's marketplace: **A raging 'rep'idemic** Page 33.

Sales training: **Coulter gets a second opinion** Page 36.

Annals of selling: **Try, try again** Page 39.

Complete Table of Contents on Page 3.

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What's Coming Up

Keep on truckin'. The new trucking industry deregulation law is altering the way freight haulers do business. They're busy (1) cutting rates, (2) establishing new routes, and (3) waiting for a major shake-out. July 6.

An S&MM Special Section: Cooperative Advertising. One healthy sign for co-op is that it is getting more attention from grocery-products and health-and-beauty-aid marketers. Included: An S&MM Executive Roundtable. July 6.

1981 Survey of Buying Power. Featured is the federal government's newly defined list of U.S. metropolitan areas, along with their demographic and socioeconomic details. Also, updated population and household data from the 1980 census. July 27.

Exxon Office Systems. The big oil marketer is blending its office-equipment ventures into one unit. But is it too late? Aug. 17.

Gillette. New products, led by Silkience shampoo and conditioner and Dry Idea deodorant, are turning the once-stagnant Personal Care Div. into a major source of Gillette's profit gains. Aug. 17.

VOL. 126, NO. 8

[Sales & Marketing Management ISSN 0163-7517], a Bill publication, is published monthly except in February, April, July, and October, when it is published twice a month. Second-class postage paid at New York, NY, and additional offices. Form 3579 requested at 633 Third Ave., New York, NY 10017. Executive, editorial, and circulation offices: 633 Third Ave., New York, NY 10017. SUBSCRIPTIONS: $35 a year, U.S.A. and Canada ($42 CDN). Foreign, $56. Allow 4 to 6 weeks for first issue to arrive. Member of the Audit Bureau of Circulations, American Business Press, Business Publications Audit of Circulation, and Magazine Publishers Assn.
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SHORT TAKES

12 Sales force management / **Bostik tests its presell**
12 / **Oscar Mayer slices it differently**
12 Sales aids / **Rust Craft dials-a-sale**
13 Sales promotions / **Metrics anyone?**
13 S&MM Salesgraph / **Videodiscs at blastoff stage**
13 Selling to the gov't. / **Naming names**
15 Reader's postscript / **'A nest of corruption'**
15 Travel & entertainment / **Don't be a Sap**
19 Industrial advertising / **B/PAA salutes the pros**
19 Industrial distribution / **A need for marketing**
22 Supermarkets / **Consumers fight back**
22 Markets at a glance / **Major metros: Ups and downs**
25 Selling abroad / **Washington gets its WITS together**
25 S&MM Barometer / **Sunnier retail sales**
26 Compensation / **The higher cost of relocating**

FEATURES

33 A raging 'rep'idemic
Independent manufacturers' reps are outperforming direct salespeople in a number of industries and locations.

36 Sales training: **Coulter gets a second opinion**
Coulter switches from products-oriented to customer-oriented selling, and salespeople say the prognosis is positive.

37 Sales communications: **Take a letter, plain & simple**
The executive who can write an effective letter has the edge over those who can't. Join the elite.

39 Salesmanship: **Try, try again**
How a toothbrush marketer got the M-16 rifle out of a jam. From "How I Made the Sale That Did the Most for Me."

AN S&MM SPECIAL SECTION

51 Industrial ads keep the sales current flowing
- Industrial ad budgets up—and going higher
- How Loctite scores with multiagency teamwork
- Sperry Vickers puts inquiries to work

DEPARTMENTS

97 Advertisers' index
90 Books
47 Changes in the news
77 Cooperative advertising
30 Industrial newsletter
75 International newsletter
38 Jaundiced eye
6 Letters to S&MM
46 Marketers, et cetera
29 Marketing newsletter
72 On the road
4 Publisher's call report
45 S&MM marketgraph
20 S&MM predicts
82 Sales strategies
98 Significant trends
101 Worth writing for

for the company's 225 salespeople to use when selling to all outlets, including mass merchandisers and drug and department stores.

SALES PROMOTIONS

Metrics anyone?

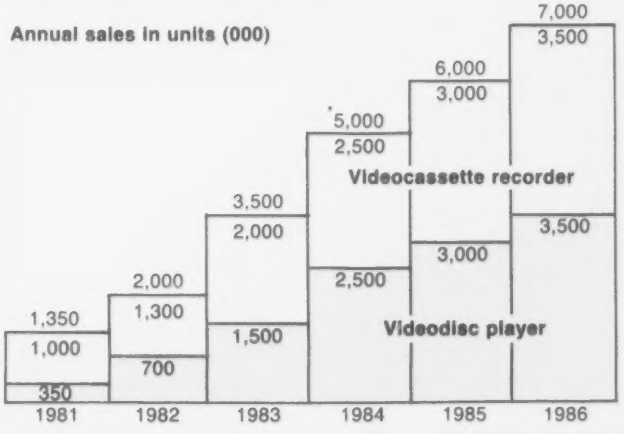
Based on a survey of purchasing managers they did with *Purchasing* magazine, executives at Holo-Krome, W. Hartford, CT, estimate that about 20% of industrial products manufactured in the U.S. in the next two years will use metric measurements. Ray Van Horn, general sales manager, explains: "Many international companies are standardizing their plants so they can move machinery and tools easily from country to country. Also, such industries as textiles have been importing more machinery that use metrics."

Holo-Krome, a marketer of traditional and metric industrial fasteners (for example, screws, pins, and collars), is running promotions with both its end-user customers and its 400 industrial distributors to be sure it latches on to more of the metrics fastener market. Ads appearing in *Purchasing* offer readers a $20 Metricheck gauge kit, which helps users find metric sizes for fasteners on equipment merely by threading a standard gauge into the screw hole. Order forms go directly to Holo-Krome, which has distributors hand-deliver the kit to the newly identified metrics user. Van Horn notes that the company is also offering Nikon 35 mm cameras to distributors who sell between $3,000 and $10,000 in metrics fasteners by Sept. 15. "Metrics will soon be a major factor in the marketplace," he says, adding, "We intend to grow with it."

S&MM SALESGRAPH

Videodiscs at blastoff stage

A ten-fold increase in sales of videodisc players between 1981 and 1986 is predicted in a new market study by Theodore W. Anderson, Argus Research Corp., New York City, an investment advisory firm. One of the more knowledgeable industry analysts, Anderson sees videodiscs in 14% of TV homes by 1986, videocassette players in 18%. RCA's spiral-grooved capacitance system is projected to grab 60% of the market, vs. Philips's optical laser-based 30% and Matsushita's late-starting grooveless capacitance 10%. Helping RCA, Anderson says: "Marketing power, cheaper prices, simpler working parts, and more software."



Source: Argus Research Corp., *Home Video: The Expanding Market for the Newest Consumer Entertainment Products.* Reprinted by permission. Reproduction prohibited
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SELLING TO THE GOV'T.

Naming names

As the Reagan Administration cuts back on government publications and publicity, the importance of privately published guides to selling to the federal government will grow. A recent entrant to the field is Danbury Press, Suffern, NY, which has come out with a directory that lists over 1,000 federal employees who specialize in making sure that small and minority businesses get their share of federal purchases.

Says Danbury Press publisher Eli Chappe, "They negotiate 'set asides' for small businesses and sit in when decisions are made about what portions of major contracts can be subcontracted to small businesses. They're essential to small businessmen."

Danbury Press's *Small-Business Directory of Government*

SUPERMARKETS

Consumers fight back

With the average price of a supermarket item up to $1.17 in 1980, vs. 1979's 94¢, consumers are buying more carefully. They're also rejecting both unsatisfactory products and the stores that sell them. That was the message for the 15,000 attendees, mainly manufacturers, wholesalers, and retailers, at last month's Food Marketing Institute (FMI) convention in Dallas. Among the findings of a recent Harris poll, the tenth conducted for FMI, of consumer attitudes: When shoppers are dissatisfied with a purchase, 57% return the item for a refund or exchange, 41% complain personally to the store manager, and 34% go so far as to switch to another chain.

Meanwhile, FMI's own surveys show that the average number of items carried in a supermarket fell considerably, to 11,021 in 1980 from 12,745 in 1979. FMI suggests two possible causes: (1) The increase in

MARKETS AT A GLANCE

Major metros: Ups and downs

The growth rate of the 32 major metro markets (one million or more population) slowed rapidly in the 1970s, plunging to 6.7% from 18.2% a decade earlier. However, preliminary data from the 1980 census reveal it was the biggest metros that suffered the most. Markets with 1.0–2.5 million expanded 2½ times faster than markets with 2.5 million or more and, in fact, eclipsed the all-U. S. 10.9% growth rate. Regional patterns were remarkably dissimilar. Both size categories lost population in the Northeast while in the Midwest the largest markets had a slight loss and the smaller ones a modest gain. The largest metros grew considerably faster than smaller metros in the South, but the opposite pattern prevailed in the West.

Metro area by size	*1980 (000)*	*1970 (000)*	*% Change 1970–80*	*1960–70*
U.S.				
2.5 mil. plus	68,130	65,218	+ 4.5%	+ 18.2%
1.0–2.5 mil.	32,044	28,624	+ 11.9	+ 18.4
Northeast				
2.5 mil. plus	24,579	25,750	– 4.5	+ 10.7
1.0–2.5 mil.	3,502	3,751	– 6.6	+ 1.0
Midwest				
2.5 mil. plus	15,132	15,277	– 0.9	+ 11.9
1.0–2.5 mil.	10,979	10,716	+ 2.4	+ 15.2
South				
2.5 mil. plus	12,134	9,784	+ 24.0	+ 39.2
1.0–2.5 mil.	8,245	6,941	+ 18.8	+ 22.7
West				
2.5 mil. plus	16,284	14,407	+ 13.0	+ 28.1
1.0–2.5 mil.	9,318	7,216	+ 29.1	+ 31.0

Source: Census Bureau, Population Div.
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How would you approach this prospect?

Can you or your salespeople "hear" and "speak" body language? If not, you are *losing sales.* Now there's a complete audio-visual course that teaches the principles of *nonverbal communication* together with professional selling skills. It is called The Languages of Selling™. It's so powerful a tool that it can *double* or *triple* your sales! For the first time, your salespeople can learn the key gestures, movements and facial expressions in common selling situations and what they mean to their selling strategy. What's more important, how to enhance their verbal sales presentations with powerful nonverbal messages.

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warehouse stores, which carry fewer items than the conventional supermarket. (2) The high cost of money, making it necessary for retailers to drop slow movers.

The competition for shelf space and consumer attention, two other burning issues for marketers, was evident at the convention itself. Exhibits were mostly about promotions, not new products, because "that's where the action is at the store level," said Jack M. Murphy, a supervisor with Kraft's Retail Food Group. The convention this year had more traffic builders—contests, magic acts, robots handing out samples—although there was noticeably less traffic. And everywhere sales-hungry exhibitors asked potential customers the same question: "How many stores do you have?"

SELLING ABROAD

Washington gets its WITS together

Whenever Dan Warn, of Warn Industries, Inc., targets another possible new country abroad for his products, one of his first moves is to contact the Commerce Dept.'s Seattle office. "I never fail to come away without the names of four or five potential distributors," says the Seattle manufacturer of two- and four-wheel automotive drive parts. "It saves me all sorts of time."

Warn uses the Commerce Dept.'s Worldwide Information and Trade System—WITS. So does a mounting number of other exporters; so many, in fact, that the department now rates WITS as a success, after a false start of sizzling promises but

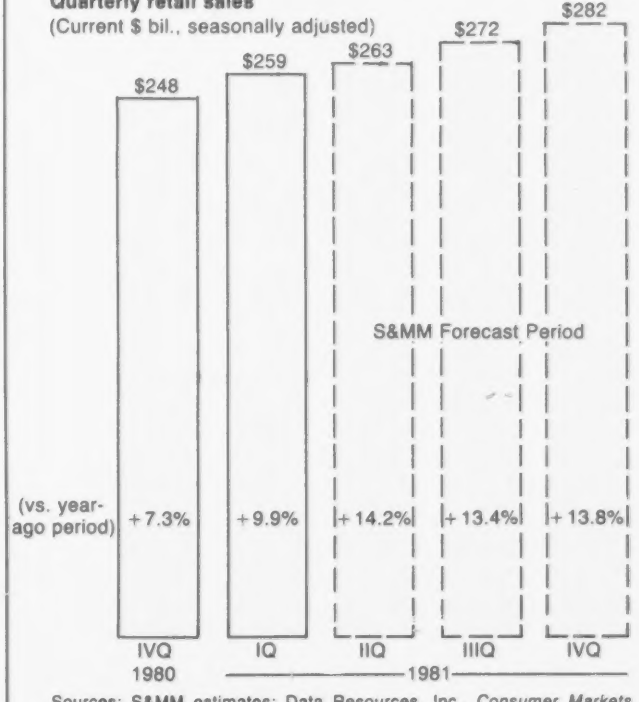
S&MM BAROMETER

Sunnier retail sales

Outlook for retail sales is brighter due to less-than-expected inflation and better-than-expected employment and income gains. As a result, consumer expectations, in both the Conference Board and Survey Research Center polls, are up sharply. S&MM now looks for a 12.8% lift in retail sales, to $1,076 billion, this year vs. 1980.

Yet slack consumer buying from February through April has raised concerns. Martin Duffy, vice president, Data Resources, Inc.'s consumer research division, thinks the "margins for continued growth are narrower as savings are very low and employment growth appears to be slackening." But Economic Analysis Associates' Susan M. Sterne sees the letdown as "a pause which reestablished the consumer's ability to continue spending." For those who look for historical portents, Goldman Sachs economist Gary Wenglowski notes it took real retail sales two years to regain their former peak after the 1973–74 downturn "whereas, currently, they've come close to doing that in only 12 months."

Quarterly retail sales
(Current $ bil., seasonally adjusted)



Sources: S&MM estimates; Data Resources, Inc., *Consumer Markets Service*; Goldman Sachs, *The Pocket Chartroom*.
© Sales & Marketing Management.

fizzling performance. Although it is still officially in its pilot phase, the computerized market data service is now available at 17 of the department's 44 field offices nationwide. And it has the blessings of President Reagan's budget people.

For $2 per minute of computer time, an exporter can obtain a printout from any of eight export data banks, called "files." The three that are most potentially rewarding are lists covering nine different markets* of: (1) foreign customers for his product; (2) specific leads from interested buyers abroad; and (3) the identity of freight fowarders and other overseas services of interest.

**Now in the system are Brazil, France, Hong Kong, Japan, Mexico, Nigeria, Singapore, Saudi Arabia, and Great Britain. Six countries will be added this year.*

Exporters get the precise data they want by keying in their product's Standard Industrial Classification number (SIC). Each overseas company's entry includes the identity of its owners, the product lines it is interested in, and the number of its employees. For another $40, the exporter can get an instant credit report on most of the companies cited in the computer's printouts. Other files within WITS are: (4) U.S. exporters by product; (5) country-by-country import statistics; (6) upcoming U.S. government export promotions; (7) U.S. export assistance programs; and, (8) for foreign users, product sales leads from U.S. importers.

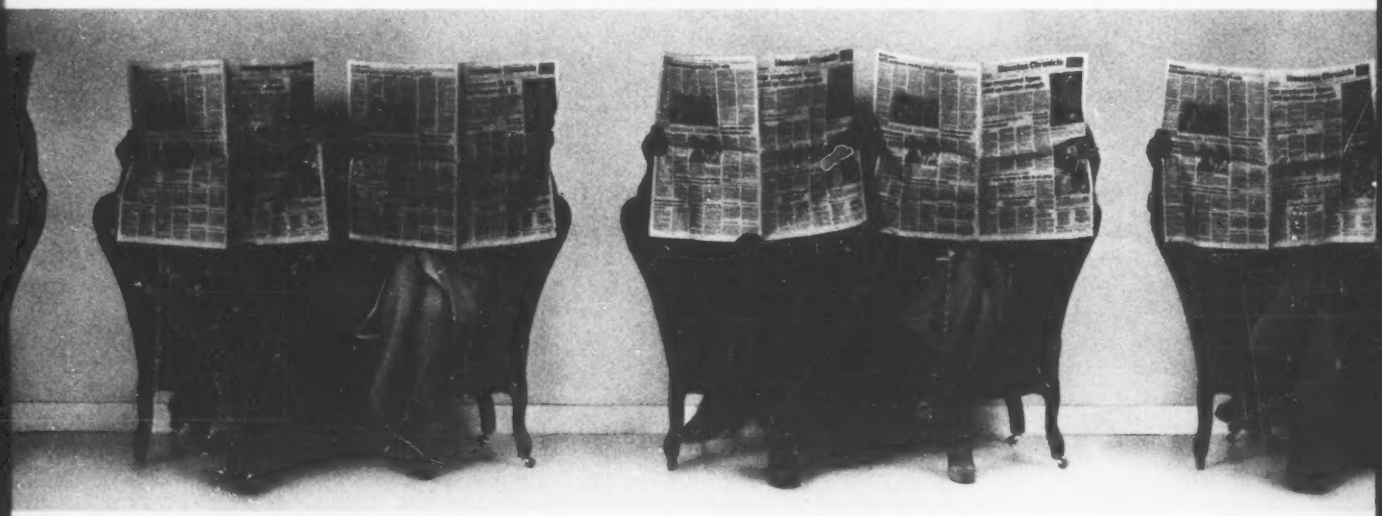
(For a list of Commerce Dept. field offices now offering the WITS program, telephone 202-377-1565.)

COMPENSATION

The higher cost of relocating salespeople

Transferring a salesperson from Dallas to Boston could mean a 30% upward revision in his salary if you, as many now do, include living costs adjustments in your compensation plan. That's the size of the spread in family expenses between the two markets in 1980, revealed in the latest Bureau of Labor Statistics (BLS) report on urban family costs.

The biggest increases in family costs occurred in Baltimore, 15.1%, and San Francisco–Oakland, 15.0%. The smallest



DAILY READERSHIP: $35,000+ HOUSEHOLD INCOME Total Chronicle: 184,000 or 66% Source: Scarborough Report, 1980

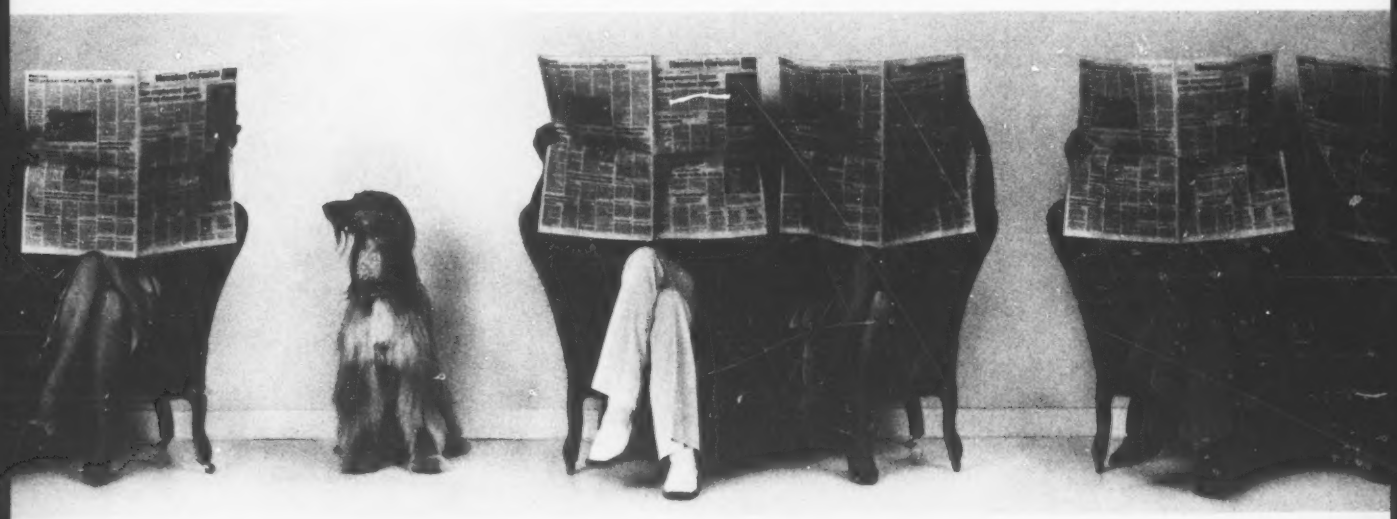
Reads Chronicle only: 42%

increase, 6.3%, was in Anchorage; nevertheless, it is still the costliest of the 25 markets BLS tracks.

BLS estimates three types of budgets—lower, intermediate, and higher—for a family of four consisting of a working husband, nonworking wife, and two children. Companies use the intermediate budget (see accompanying table) for making living costs adjustments because it is representative of the general population. ■

Metro Market	Family Budget Level 1980	Index U.S. = 100	% Increase In Budget 1979–80
U.S.	**$23,134**	**100**	**12.8%**
Metro areas	23,597	102	12.7
Nonmetro areas	21,070	91	13.0
Northeast			
Boston	27,029	117	10.9
Buffalo	23,995	104	10.0
New York	26,749	116	12.1
Philadelphia	24,364	105	13.7
Pittsburgh	22,492	97	13.1
Nonmetro	23,319	101	12.5
Midwest			
Chicago	23,387	101	13.7
Cincinnati	22,681	98	11.8
Cleveland	23,429	101	12.3
Detroit	23,168	100	11.3
Kansas City	22,504	97	14.7
Milwaukee	24,028	104	12.3
Minneapolis–St. Paul	23,630	102	10.3
St. Louis	$22,248	96	11.4%
Nonmetro	21,288	92	12.8
South			
Atlanta	21,131	91	12.3
Baltimore	23,389	101	15.1
Dallas	20,766	90	13.5
Houston	21,572	93	13.4
Washington, DC	25,203	109	13.5
Nonmetro	19,769	85	13.3
West			
Anchorage	29,682	128	6.3
Denver	22,813	99	11.5
Honolulu	28,498	123	10.5
Los Angeles–Long Beach	22,500	97	13.2
San Diego	22,727	98	13.1
San Francisco–Oakland	24,704	107	15.0
Seattle–Everett	23,392	101	12.9
Nonmetro	21,933	95	13.4

Sources: S&MM calculations; Bureau of Labor Statistics, *Autumn 1980 Urban Family Budgets, USDL 81-195.*
■ Sales & Marketing Management.



In Houston, there are still some members of affluent households who don't read The Chronicle.

Both Houston newspapers cost about the same.

But among adult newspaper readers in households earning $35,000 or more, roughly two-thirds choose The Chronicle. That's 184,000 on weekdays. And 213,000 on Sundays.

In fact, The Chronicle leads the entire Southwest in total readership, as well as circulation and ad linage.

So to reach a better audience in Houston, you can't do better than The Chronicle.

For more information, call our national representative, Sawyer Ferguson Walker.

Houston Chronicle

Reads both: 24%

Reads other paper only: 34%

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S&MM digs into the latest figures and finds that independent reps are raising sales faster than manufacturers' own branches. All in the name of cutting costs.

A raging 'rep'idemic

By THAYER C. TAYLOR
Senior Editor/Management Sciences

Manufacturers' reps are cashing in on marketers' frantic search for low-cost alternative selling channels. An S&MM analysis of new reports from the 1977 *Census of Wholesale Trade* reveals that, in the 1972–77 period, the reps more than doubled their sales (+107%) vs. a more modest 77% increase by manufacturers' sales branches. What's more, the reps chalked up bigger increases than the sales branches in 11 of the 15 industries identified in the census reports.

S&MM's analysis also discloses:

♦ Sales productivity (as measured by sales-per-salesperson) in the branches improved handsomely.

♦ Reps are latching on to rapidly growing industrial markets in the South and West.

Significantly, the reps made strong gains in areas outside their traditional hard-goods base. In fact, they posted their biggest gains in nondurable goods, an industry sector that traditionally makes little use of them. (For example, reps' sales volume is equivalent to only 5% of the dollar business handled by the branches.)

In the 1972–77 period, reps handling nondurables increased their sales 142%, vs. an 86% gain by the branches. In the food-broker-dominated groceries field, reps more than

Regional profile of field selling operations

Geographic Region	Manufacturers' Sales Branches —Establishments— 1977	Manufacturers' Agents —Establishments— 1977	% Change, 1972–77 Sales Branches	% Change, 1972–77 Agents	Sales Per Establishment Sales Branches —1977— ($000)	Sales Per Establishment Agents —1977— ($000)
New England	1,801	1,179	– 6.2%	+18.4%	$11,716	$2,212
Mideast	6,632	4,443	– 8.6	+18.7	15,630	2,390
Great Lakes	7,636	4,479	–19.1	+15.9	13,661	2,796
Plains	3,889	1,686	–35.6	+20.8	9,085	1,985
Southeast	8,310	3,286	– 8.7	+24.7	10,508	2,291
Southwest	4,602	1,715	–10.6	+30.6	8,781	2,350
Rocky Mountain	1,579	600	–13.1	+36.7	5,751	1,609
Far West	6,074	2,591	– 6.3	+21.0	9,376	2,379
U.S.	**40,521**	**19,979**	**–14.1%**	**+20.9%**	**$11,318**	**$2,392**

Sources: S&MM calculations; Census Bureau, *1977 Census of Wholesale Trade: Geographic Area Series, WC77-A-1 to -52.*
[c] Sales & Marketing Management.

> ***'Reps are motivated by their investment and know the marketplace better than anyone. Because of this, they tend to be more aggressive and motivated to a higher sales performance than company-owned and -operated branches.'***
>
> —Gary Holland
> President
> CPT Corp.

quintupled their sales as manufacturers' sales offices made do with a much smaller (92%) gain.

The reps also did considerably better than the branches in their traditional stronghold, the durable-goods sector. By practically doubling sales, compared to a 70% increase by the branches, they raised their business volume to approximately 15% of the branches' level.

Some of the industries where reps are a strong factor: hardware, plumbing, and heating, where their sales equal 74% of the branches' volume; furniture and home furnishings, 45%; and electrical goods, 38%.

Manufacturers are turning to reps, according to Gary Holland, president of CPT Corp., a Minneapolis word-processing outfit, because the reps "are motivated by their investment and know the marketplace better than anyone. Because of this, they tend to be more aggressive and motivated to a higher sales performance than company-owned and -operated branches."

Manufacturers' salespeople, however, were no slouches in boosting their productivity during the five-year period. S&MM's analysis shows that durable-goods marketers pruned their sales forces 4% but enjoyed a hefty 77% jump

How reps stack up against sales branches

Industry	Mfrs. Sales Branches Establishments	Mfrs. Sales Branches Sales ($ Mil.)	Mfrs. Agents Establishments	Mfrs. Agents Sales ($ Mil)	Agents' % Equivalent of Branch Sales	% Change in Sales 1972–77 Sales Branches	% Change in Sales 1972–77 Mfrs. Agents
Total	**40,521**	**$451,855**	**19,979**	**$48,369**	**11%**	**+ 77%**	**+107%**
Durable goods	**20,975**	**$257,237**	**16,502**	**$37,845**	**15%**	**+ 70%**	**+ 99%**
Motor vehicles, automotive parts	1,921	86,174	845	3,465	4	+ 73	+109
Furniture, home furnishings	924	6,899	1,399	3,109	45	+105	+129
Lumber	2,075	16,177	726	1,637	10	+ 79	+ 25
Sporting, recreational, hobby goods	317	6,150	690	2,055	33	+ 42	+ 73
Metals, minerals (except petroleum)	1,531	39,630	748	2,162	5	+ 65	+109
Electrical goods	3,317	27,452	4,056	10,308	38	+ 12	+100
Hardware, plumbing, heating	1,026	5,903	2,088	4,374	74	+115	+ 89
Machinery	9,547	66,162	5,372	9,846	15	+110	+110
Miscellaneous	317	2,689	578	890	33	+ 39	+207
Nondurable goods	**19,546**	**$194,618**	**3,477**	**$10,524**	**5%**	**+ 86%**	**+142%**
Paper	2,000	15,532	324	878	6	+106	+ 55
Drugs	453	8,423	177	693	8	+ 53	+ 25
Apparel	933	14,846	1,253	3,484	23	+ 49	+161
Groceries	4,157	41,630	304	1,808	4	+ 92	+660
Chemicals	1,789	39,493	510	1,422	4	+106	+131
Petroleum	6,368	55,491	23	49	[1]	+101	+880
Beer, wine, alcoholic beverages	217	4,016	31	113	3	– 3	+242
Miscellaneous	3,629	15,188	855	2,077	14	+ 69	+107

[1]Less than 1%.
Sources: S&MM calculations; Census Bureau, 1977 *Census of Wholesale Trade: Subject Series: Miscellaneous, WC77-S-3.*
[s] Sales & Marketing Management.

in sales-per-salesperson. Similarly, there was a 5% cut in the number of salespeople selling nondurables, but productivity in this segment still soared, by 97%.

Some almost took a meat axe to their sales forces. The drug industry slashed sales personnel 40%, partly in response to widespread customer use of computerized terminals that automatically generate sales orders when stocks fall to a certain level. Also, marketers of sporting, recreational, and hobby goods dropped more than half of their salespeople. Yet salesperson productivity jumped 157% in the drug industry, 198% in the sporting-goods industry. Indeed, while 10 of the 14 industries reported on in the census reports cut back on sales personnel, all profited from sales productivity gains. Such gains ranged from the sporting goods' 198% to 20% in the beer, wine, and alcoholic beverages industry.

Of course, much of the dollar increase stemmed from inflation. Producer prices in the hardware industry, for instance, rose 54% in the 1972–77 period. Thus the industry's 115% sales gain, when deflated, is translated into a 39% increment in real dollars.

Geographically, reps rode the industrialization boom in the South and West. They scored their biggest sales increases in the Southwest, +125%, and Southeast, +120%. Their business more than doubled in the Far West, +114%, Rocky Mountain, +113%, and Great Lakes, +108%. Sales branches also chalked up their best results west of the Mississippi. Their greatest sales increases were in the Southwest, +116%, and Rocky Mountain, +100%.

As manufacturers gave more of their business to reps, they reduced the number of sales branches in a wholesale fashion. All eight geographic regions had fewer sales branches in 1977 than five years earlier. In sharp contrast, the number of independent rep firms grew in all eight regions.

An especially fascinating insight unearthed by the census people (the wholesale trade activity is studied every five years), is a breakdown of the branches' sales forces by outside and inside (mostly telephone) salespeople. One-fifth of the durable-goods salespeople work inside, compared to roughly one-seventh in the nondurables. The heaviest users of telephone salespeople are metals and minerals, where inside personnel make up 36% of the sales force; apparel and lumber, 27% each; and motor vehicles and automotive parts, 24%.

Only one of the four heavy users of inside people, metals and minerals, benefitted from an above-average gain in sales productivity.

Which may say something about the importance of face-to-face contact in industrial selling.

Productivity is up in the sales branches

Industry	Total Sales-people 1977	% Inside Sales-people	Sales Per Sales-person ($000)	% Change, 1972–77 Total Sales-people	% Change, 1972–77 Sales Per Sales-person
Total	**330,285**	**17%**	**$1,368**	**−20%**	**+120%**
Durable goods	**181,070**	**20%**	**$1,421**	**− 4%**	**+ 77%**
Motor vehicles, automotive parts	18,122	24	4,755	−14	+102
Furniture, home furnishings	5,877	12	1,174	− 6	+118
Lumber	11,266	27	1,436	− 8	+ 95
Sporting, recreational, hobby goods	4,330	13	1,420	−52	+198
Metals, minerals (except petroleum)	8,566	36	4,626	−30	+135
Electrical goods	27,310	19	1,005	NA	NA
Hardware, plumbing, heating	5,999	15	984	+11	+ 93
Machinery	97,702	17	677	+14	+ 85
Miscellaneous	1,898	33	1,417	NA	NA
Nondurable goods	**149,215**	**14%**	**$1,304**	**− 5%**	**+ 97%**
Paper	18,509	13	839	+ 9	+ 90
Drugs	8,045	11	1,047	−40	+157
Apparel	8,943	27	1,660	−21	+ 88
Groceries	57,914	9	719	− 6	+105
Chemicals	23,352	13	1,691	+10	+ 86
Petroleum	8,338	15	6,655	NA	NA
Beer, wine, alcoholic beverages	4,771	8	842	−19	+ 20
Miscellaneous	19,343	30	785	NA	NA

Note: The % change for the "Total" line should fall between those for durable and nondurable goods categories. It does not do so because of the industries for which there was insufficient data in the 1972 census.
NA—Not available due to insufficient coverage in 1972 census.
Sources: S&MM calculations; Census Bureau, *1977 Census of Wholesale Trade: Subject Series: Miscellaneous, WC77-S-3.*
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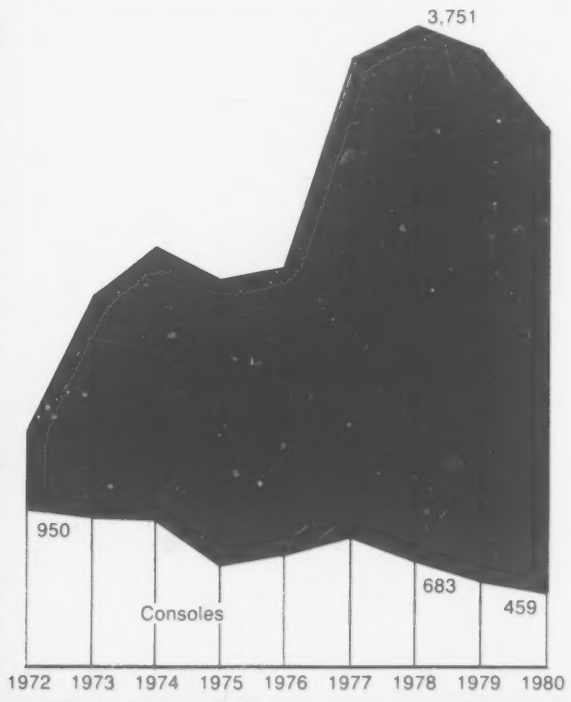
S&MM MARKETGRAPH

Audio-equipment makers face the music

You wouldn't know it from the decibel level in most homes, but U.S. makers of audio equipment are hurting from import competition and the pinch on real income. Factory sales of audio systems tumbled last year for the second straight year, and, at 3.7 million units, are down 17% from 1978's record 4.4 million. To help marketers sharpen their sales strategies, the Electronic Industries Assn.'s consumer electronics group surveyed 25,000 households. Overall, the home ownership ratio is 28.8% for consoles, 31.2% for stereo components, and 40.7% for compact systems. Women dominate the console market, representing 53% of buyers, because, as group senior vice president Jack Wayman explains, "consoles are regarded as furniture." Contrary to audio's youthful image, middle-age adults, or those approaching that stage, are now the key buying factors. The median age of the compact-systems owner is 31.6 years, 42.1 for consoles, and 27.9–31.6 for components.

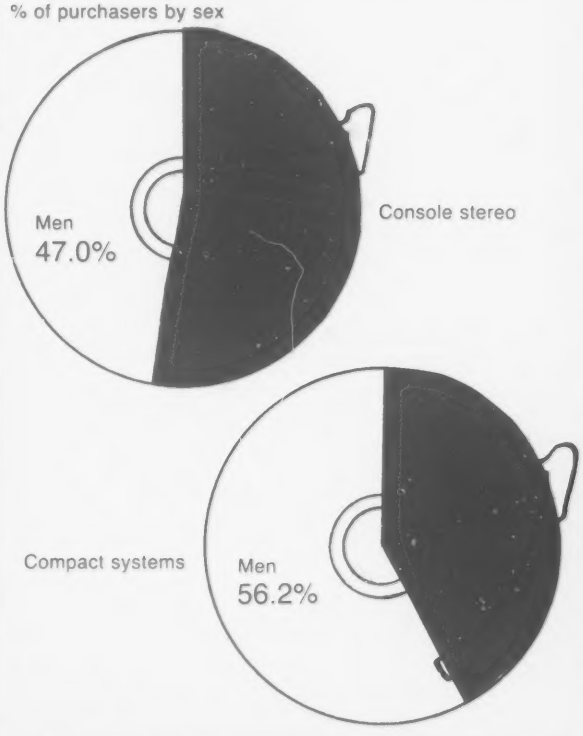
Loud sounds, but sales are soft

Factory sales of audio systems (000)



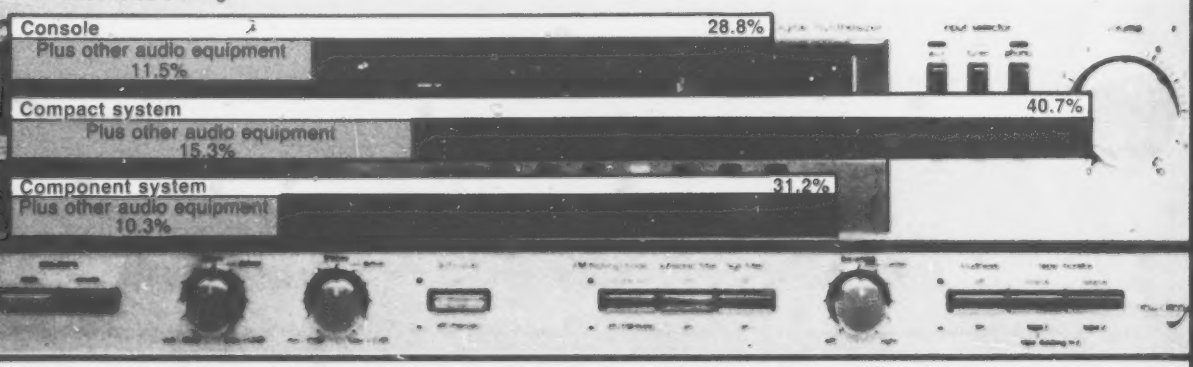
Sound-loving women

% of purchasers by sex

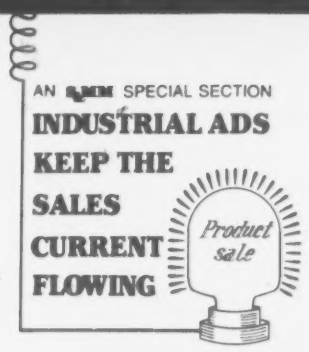


Significant degree of related-product buying

% of households owning



Source: Electronics Industries Assn. Consumer Electronics Group, *1981 Annual Review of Consumer Electronics, Purchase and Ownership Patterns of Home and Car Audio Equipment.*
Sales & Marketing Management.



AN EXCLUSIVE S&MM SURVEY

INDUSTRIAL AD BUDGETS UP —AND GOING HIGHER

By SALLY SCANLON
Senior Editor

Ask any industrial advertiser what's on his mind these days and the answer is likely to be costs—rapidly rising costs. "A 10% annual budget increase isn't enough to cover inflation anymore," says Robert W. Wakefield, assistant ad manager, plastics, U.S. Industrial Chemicals Div., National Distillers & Chemical Corp.

One possible solution is to run campaigns longer. Says Fred Poppe, president and chief executive officer of New York City ad agency Poppe Tyson, "Print-ad production costs (usually about 25% of the media ad budget) are growing by leaps and bounds. The dollars spent on production are dollars on which you get no direct return. Besides, an ad has to run three times in any magazine to be seen once by all the readers." Thus running a print campaign longer can increase its effectiveness as well as hold costs down.

While most marketing executives say that rising costs are fostering more evaluation of the industrial ad media they use, few question the value of advertising itself. A recent survey of 519 industrial sales and marketing executives who subscribe to S&MM finds that 93.1% advertise. Nearly two-thirds have increased their 1981 ad budgets over 1980's, and over half would increase the budget still further if the decision were up to them. (See tables, facing page.) Moreover, those with the smallest budgets are increasing them by the largest increments: 19.2% of those with budgets of under $100,000 increased their ad budgets 30% or more this year. Another 15.6% increased them by 20%–29%. In contrast, only 6.3% of those with budgets of over $100,000 increased them by 30% or more, while 7.7% increased them by 20%–29%.

Industrial executives expect their ad budgets to cover a spectrum of marketing activities, including trade shows and sales literature. Trade magazines are the most popular medium among those surveyed; 93% use them. That's exactly the same percentage that reported using them when S&MM surveyed industrial ad practices last year. Compared with the responses to that survey, directory advertising has gained in popularity this year (up from 65% in 1980 to 69.6%), while direct mail has fallen slightly (from 67% to 62.1%). The decline may be due to increases in postal rates and production costs, or it may stem from increasing controversy about the cost-effectiveness of broad-based (vs. targeted) mailings.

Responses to the current survey by "sales" executives and by "marketing" executives yielded a surprise. While, predictably, a higher percentage of marketing executives than sales executives help to set advertising objectives, select target markets, and so on (See Tables, question 9), the two groups appear to be equally responsible for media selection. Specifically, 65.4% of sales vice presidents, 64.1% of marketing vice presidents, 68.5% of sales managers and sales directors, and 69.6% of marketing managers and marketing directors select the media in which their companies or divisions advertise.

The few industrial marketers whose companies do not advertise checked the following reasons:

- Sales promotion is more effective (44.4%)
- Advertising is too costly (41.7%)
- Already know all potential customers (36.1%).

Even so, 40% of the nonadvertisers said that their companies would advertise if the decision to do so were up to them. Subtract 0.2% for the lone respondent who said he'd cut out advertising altogether if the decision were up to him, and that brings the percentage of industrial sales and marketing executives who use—or at least believe in—advertising to a grand total of 95.9%.

Highlights of S&MM's survey on industrial advertising*

The big picture

(Base: 519 replies)

1. This survey is intended to explore advertising by industrial manufacturers, distributors, service companies, and others whose main sales thrust is directed to other commercial establishments as opposed to consumers. Does your company engage in this type of selling?

Yes	100%
No	0

2. Does your company advertise?

Yes	93.1%
No[1]	6.9

[1]For reasons, see story.

3. Who calls on your end user?

Our own sales force	74.1%
Distributors	47.8
Independent reps	34.6
Other (dealers, brokers, etc.)	3.5

4. What is your primary line of business?

Industrial manufacturing	83.2%
Industrial distribution	13.7
Services	7.9

5. Approximate annual sales of your company or division?

$10 million or less	32.9%
$11–$25 million	23.4
$26–$50 million	12.8
$51–$100 million	10.8
$101–$500 million	13.3
$501 million or more	5.0

Advertisers and their budgets

(Base: 483 replies)

1. What is your 1981 advertising budget?

Less than $100,000	49.1%
$100,000–$499,999	34.4
$500,000–$999,999	6.4
$1 million–$2,999,999	5.6
$3 million–$4,999,999	0.8
$5 million or more	0.4

2. How does it compare with your 1980 ad budget?

Up 9% or less	21.1%
Up 10%–19%	27.7
Up 20%–29%	8.3
Up 30% or more	8.3
Same	21.3
Down[2]	7.7

3. What marketing activities are included in your 1981 ad budget?

Sales literature	81.6%
Trade shows	76.6
Media advertising	74.5
Directory listings	68.7
Direct mail	64.4
Sales promotion	60.9
Co-op advertising	26.7
Other[3]	3.7

4. In which media do your company or division advertise?

Trade magazines	93.0%
Directories	69.6
Direct mail	62.1
Newspapers	14.7
Radio	6.0
TV	5.6
Outdoor	1.7
Other[4]	5.6

5. Do your sales reps use or refer to your ads in their presentations?

Yes	75.6%
No	19.5

6. Does sales management in your company have any direct input into the advertising program?

Yes	95.0%
No	5.0

7. If the decision to advertise were up to you, would you:

Increase your advertising	58.6%
Continue it at the same level	37.7
Decrease it	1.7
Cut it out altogether	0.2

8. In terms of content, what type of ads most effectively support your sales effort?[5]

(Please rank in order of effectiveness.)

	RANK			
	First	*Second*	*Third*	*Fourth*
Product ads	87.2%	10.1%	2.5%	0.2%
Corporate/image ads	8.4	27.2	19.8	6.7
Service ads	6.2	23.2	19.3	2.7
Price ads	2.2	7.4	6.2	20.5

9. What is your contribution to the ad program?

	All Respondents (Base: 483)	*Sales Managers (Base: 73)*	*Marketing Managers (Base: 69)*
Suggest content	82.6%	80.8%	88.4%
Help to set objectives	81.8	80.8	94.2
Evaluate results	63.8	54.8	75.4
Select media	62.1	68.5	69.6
Set budget	60.0	49.3	71.0
Select markets	56.7	56.2	72.5
Set campaign timing	51.6	45.2	72.5
Okay budget	34.8	34.2	42.0

[2]By percentages ranging from 7% to 50%.
[3]Publicity, sponsorship of special events, Yellow Pages.
[4]Newsletters, buyers' guides, seminars, Yellow Pages.
[5]Base: 405 replies.

*Percentages may total more or less than 100 because of multiple answers and no answers.